Eisenhower and Transportation Infrastructure

Presentation by Jeff Davis
Senior Fellow, Eno Center for Transportation

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The Eisenhower Strategy

Organize
Prioritize
Study
Act
St. Lawrence Seaway

Discussed since 1890s, seriously studied since Wilson Administration.
Why the Seaway Remained Unbuilt by 1953

- **Cost** - bipartisan skepticism of expensive regional public works
- **Competition** – without a Seaway, the way to/from industrial Midwest was via East/Gulf ports and railroads, who did not want taxpayer-funded competition
The Seaway Cut Across Federal Policy Areas

- Economic
- Energy
- Defense
- Foreign
Why Was the Seaway So Urgent in 1953?

• Dec. 1951 – Canada voted to build it themselves, without the U.S.
• If Canada built the Seaway themselves, they could charge tolls to U.S. vessels but not others
• Canada could deny access to U.S. ships in time of war if Canada was not taking part in the conflict
Early 1953 – Eisenhower Takes Initial Action

• Orders quick study of Cabinet views (right)
• March 27 – Cabinet meeting supports U.S. participation in Seaway
• March 30 – GOP Congressional leaders convince Eisenhower to slow down
• April 23 – After Senate hearings demonstrate need for the project, Eisenhower publicly endorses
• Seaway bill did not move before Congress adjourned for the year August 3
1954—
Eisenhower Gets It Done

• Urges prompt action in State of the Union
• Works with new Senate Majority Leader to make the Seaway bill the first bill of the session, Jan. 12
• Jan. 20 – Passed Senate, 51-33 (25R, 25D, 1Ind. in favor, 15R, 18D opposed)
• Fierce railroad/port opposition in House
• May 6 – Passed House, 241 to 158 (134R, 96D, 1Ind. in favor, 64R, 94D opposed)
• May 13 – Seaway bill signed into law
• June 1959 – Seaway opened and dedicated
Eisenhower's 1919 Highway Convoy

The 1919 Army truck convoy in which Lt. Col. Eisenhower was an observer took 62 days over mostly unimproved dirt roads to travel 3,251 miles from Washington, DC to San Francisco.
Thoughts of a National Highway System

During his 1952 transition, Eisenhower met with a Wall Street acquaintance to discuss a national system of toll highways. A plan and this map were delivered to Eisenhower Feb. 4, 1953
National Highway System

Feb. 4, 1953 – Eisenhower orders his staff to study the highway plan and come up with other ideas, saying:

“I am personally convinced that, in a number of fields, this Administration will have to come forward, at a reasonably early date, with a constructive program that will be designed to meet, in a well-rounded and imaginative way, the constantly increasing needs of a growing population. Our cities still conform too rigidly to the patterns, customs, and practices of fifty years ago. Each year we add hundreds of thousands of new automobiles to our vehicular population, but our road systems do not keep pace with the need.”
“Too Many Cooks in the Kitchen” – Conflicting Studies and Plans

- Commerce Department
- Bureau of Public Roads
- Sherman Adams/Robert Moses
- Council of Economic Advisers/Walter Buckner
- Kestnbaum Commission
Ike Shakes Things Up – “$50 Billion Plan”

• July 1954 – Eisenhower writes a speech to deliver at the Governors Conference (delivered by Nixon).
• Calls for “$5 billion per year for ten years, in addition to all current, normal expenditures...when we have spent $50 billion in the next ten years, we shall only have made a good start on the highways the country will need”
• “$50 Billion Plan” makes front page headlines around the nation.
Small Problem – There Was No Plan

Eisenhower at his regular press conference two days later: “I have no definite plan, although we have been studying it for a year with people from the outside because, of all people, we must have the Governors and legislatures with us.”
August 1954: Two New Study Committees

Outside
- Roger Kyes (GM) turns down job
- Gen. Lucius Clay, 4 other respected men outside govt.

Inside
- Inter-Agency Committee, chaired by Commerce Secretary
- Wound up not having much to do (not consulted by Clay)
Clay Committee Deliberates

- Rejects federal toll roads
- Instead of selecting its own routes, uses the 37,700-mile 1947 Interstate map negotiated by states & BPR as focus of federal role
- Accepts BPR 1955 highway needs cost estimate
January 1955 – Clay Committee Reports

- Create “Federal Highway Corporation” to issue $20 billion in bonds **outside federal debt limit** plus $5 billion in appropriations to pay for 93 percent of Interstate construction over 10 years
- Bonds repaid by annual federal appropriations
- Regular federal program to continue at a federal share below current 50 percent
Bad Lineup in the Senate...

- Democrats took control of Congress in 1954 elections.
- Senate Finance chair Byrd had “almost pathological fear of debt.”
- Senate Public Works (Gore) bill only had 5 years of Interstate funding ($7.75 billion).
- Senate kills Clay plan, 31-60, passes Gore bill (5 years, no bonds, no new taxes) by voice.
...Then the House Kills the Bill

- Speaker lets Public Works Committee write its own taxes
- Tax increases: 1¢ gasoline, 2.5¢ diesel, new taxes on truck/trailer sales
- $24 billion for Interstates over 13 years, all taxes in general fund
- House votes down Clay plan, 193-221, then defeats Public Works bill, 123-292
Fall 1955 – White House Regroups

• In Eisenhower’s absence (heart attack), the Cabinet comes up with a new plan, approved by Eisenhower in Dec. 1955

• No Corporation, no bonds, $25 billion for Interstates at 90-10 share over 12 years, paid for by increased gasoline, diesel, tire, trucking excises

• Pay-as-you-build basis

• Continue existing federal-aid highway program at current levels and 50-50 share

DIVIDED INCOME PROGRAM:

1. 40,000 mile Interstate System to be completed in 12 years to standards adequate for at least the next 50 years. Authorization to be coupled with adequate revenue measures to complete the system on schedule on a project basis.

2. Federal cost of Interstate System $25 billion, 10 percent state matching. Appropriation among the several states on the basis of needs of the System in each state.

3. Federal cost of aid for 12 years to other federal-aid road systems totals $9.8 billion, commencing at $75 million for fiscal 1957 and increased annually by a cumulative increment of $25 million, 50-50 state matching. Appropriation to states on traditional formula, biennially.

4. Total Federal cost, all programs, 12 years = $34.8 billion.
Total estimated revenues in 12 year period from taxes described in item 5 below = $34.8 billion.

5. Financed on a pay-as-constructed basis in 12 year period by the following revenues: existing 2 cents federal gasoline tax and existing 2 cents diesel tax plus revenues from the following new taxes: gasoline, 1 1/2 cents per gallon; diesel, 5 cents per gallon; all tires, 2 cents per pound; large tires, 3 cents additional per pound; tires, 2 cents per pound; fuel (retreading material) 8 cents per pound; tubes, 2 cents per pound; cushions (reconditioning material) 5 cents per pound; parts and accessories, 2 cents per pound; trucks and buses, 1 cent per truck; and other taxes.

6. These figures are based on exempting farm and other non-highway use from the new gasoline and diesel taxes.

7. No Federal toll road construction or reimbursement feature. Existing adequate toll roads lying on the Interstate System, estimated at 2,500 miles built or yet under construction and an additional 3,500 miles authorized, may be designated as part of the system but state ownership and operation and collection of tolls will not be disturbed. States having such toll roads nevertheless will have substantial interstate system needs. The vision cannot do the Interstate job, because of state obligations to new state taxes and restrictions on dedication of highway user revenues to highway systems, and particularly to the Interstate system.

8. Direct responsibility for construction of the Interstate System to rest in states as in other federal-aid highway programs, without any extension of federal wage controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving reclamation costs controls (Davis-Bacon Act) and leaving 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1956 – The “Hidden Hand”

- GOP Congressional leaders convince Ike not to put out a specific proposal – only call for “adequate financing provisions”
- Treasury negotiates behind the scenes with Ways and Means to segregate highway taxes in a Highway Trust Fund
- Treasury works with Sen. Byrd to add a “pay-as-you-build” anti-deficit provision (“Byrd Test”) in Finance Committee
- Commerce/BPR work with Public Works Committees on funding formula and other highway issues
- House, Senate pass bills in April-May 1956 that are broadly similar, by huge margins
Highway Legislation - Efforts will be continued to secure appropriate Conference action on this measure so that the bill will correspond as closely as possible to the Administration position, particularly in regard to (1) maintaining the system at 40,000 miles unless funds are provided for any mileage increase, (2) securing a general statement of policy rather than a rigid formula for apportionment of funds, (3) avoiding reimbursement for toll roads, (4) maintaining the Senate provision which makes apportionment contingent on tax collection, and (5) the Bacon-Davis amendment. The President stressed the desirability of centering in one person or body the final responsibility for wage rate determinations.
The final bill passed Congress in late June by voice (House) and by 89 to 1 (Senate) and signed into law June 29
1958 recession – Congress postpones pay-as-you-build Byrd Test spending cuts, citing need for economic stimulus via highways

Eisenhower agreed, but said privately if the economy improved, he might request a gas tax increase to pay for the extra spending

The economy recovered quickly

Eisenhower decides not to request another year’s Byrd Test suspension, asks 1.5¢, 5-year gas tax increase to pay for it

January 1959 – FY 1960 Budget (a balanced budget) requests the tax increase, from 3.0¢ to 4.5¢, lasting for 5 years
Congress Opposes Another Gas Tax Hike

• Speaker Rayburn, Senate Majority Leader Johnson pronounce the request dead on arrival (January 1959)

• House Minority Leader Halleck tells Eisenhower privately it would be “impossible” (May 1959)

• Senate votes down the gas tax increase, 33 to 46, June 25
Eisenhower Squeezes the States

- The law is on Eisenhower’s side, mandating a shutoff of new Interstate construction funds to states as of July 1.
- Ike goes further, telling states July 13 that they will also have to suspend all new non-Interstate contracts in the fall and would have to wait months for reimbursement for money already spent.
- White House releases to the press the date each state highway bureau will run out of money.
- Eisenhower rejects House plans to fix the problem by diverting taxes from general fund because that would throw the entire federal budget out of balance.
Compromise at 1¢ (not 1.5¢) for 21 Months

• Mid-August 1959 – White House privately supports 1¢ increase for two years
• Ways and Means Committee accepts, but House Public Works refuses to go along (toll road issue)
• Speaker Rayburn mediates but is rejected by Ways and Means
• Ways and Means and Public Works accept revised Eisenhower plan of 1¢ increase for 21 months, House approves
• Senate concurs, bill signed into law September 28, along with a short-term loan from general fund to Highway Trust Fund
• Eisenhower still implemented “cost controls” on highway program obligations that stayed in effect until 1975
Eisenhower’s Vision

• Eisenhower believed in the long-term growth of America – the population and the economy.

• He had an innate understanding that the networks that bind the country together, including transportation infrastructure, had to grow along with the nation.

“You will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics.”
-Dwight D. Eisenhower
For further information on federal transportation policies under President Eisenhower, visit www.enotrans.org/ike